



## **Administrative Offset**

### **Offset of Debt Owed to Federal Agencies**

Under Federal statutes, debt owed to Federal agencies must be offset against any payments that might be due from the Federal Government. This means that the Farm Service Agency is required to collect payments that otherwise would be made to delinquent borrowers, unless the borrower can present a plan to resolve the delinquency. Payments that might be offset include program transition ("Freedom to Farm"), livestock indemnity, and conservation reserve, among others.

To comply with a recent change in the law, a regulation change (7 C.F.R., part 1951) entitled, "Handling Payments From the Farm Service Agency (FSA) to Delinquent FSA Farm Loan Program Borrowers," became effective, on August 1, 1997. This rule removed the former Farmers Home Administration offset regulations and adopted the USDA offset regulations published at 7 C.F.R., part 3.

The change **removed the requirement that a borrower's account be accelerated** before offset of payments made by a Federal agency to delinquent borrowers.

The changes were made to **comply with the requirements of 31 U.S.C. 3716**, as amended by the **Debt Collection Improvement Act of 1996, ch. 10 of Pub. L. 104-134** (April 26, 1996). The USDA Office of Inspector General reported in a Management Alert that over \$65 million in USDA payments was paid to approximately 4,000 borrowers who were more than 180 days delinquent during fiscal years 1995 and 1996.

**The change in the offset regulation will allow the Agency to collect several million dollars to apply on delinquent farm loans.**

FSA is committed to working with borrowers to assist them, and has a loan servicing package that allows the borrower to submit an application for servicing. If rescheduling is not feasible, interest rates may be lowered or written down. **If the borrower has accepted a written offer from FSA to restructure the account, payments will not be offset.** If the borrower presents an acceptable written plan that can be approved by FSA and will resolve the delinquency in the near future, the offset can be lifted.

All USDA payments due delinquent farm borrowers will be offset unless there is a statutory provision that does not allow the offset.

Implementation of the offsets will result in orderly loan repayment and enable borrowers to pay their loan current and avoid foreclosure.

**If FSA does not offset the payments, other government agencies can file offsets and could take the payments, through the Treasury Offset Program.**

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